

## Cost Based Support

Federal support for wireless carriers should be based on their costs, not those of wireline local exchange carriers. Costs for wireless carriers are available and reasonably similar to costs maintained by local exchange carriers.

### RCC Minnesota, Inc.

The following information was compiled from RCC's Securities and Exchange (SEC) Report, Consolidated Statement of Operations and Balance Sheet for December 31, 2002 annual results:

|   |                            |
|---|----------------------------|
| • Network costs   | \$ 97,200,000              |
| • Cost of Equipment Sales                                   | \$ 29,184,000              |
| • Selling, General and Administrative                       | \$114,264,000              |
| • Depreciation and Amortization                             | \$ 82,497,000 <sup>1</sup> |
| • Return on Property and Equipment                          | \$107,829,000 <sup>2</sup> |
| • Taxes   | \$ 0 <sup>3</sup>          |
| • Total   | \$430,974,000              |
| • Lines Served  | 722,373                    |
| • <u>Cost Per-Line (annual)</u>                             | <u>Approximately \$600</u> |
| • <u>Revenues per-line without federal support (annual)</u> | <u>\$684</u>               |

RCC's average monthly revenue per-line of \$57, or an annual amount of \$684 per-line for the same period, more than covers RCC's annual costs of approximately \$600 per-line. **Consequently, RCC has no need for federal universal service funding and any such funding would be a windfall for RCC's stockholders.**

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<sup>1</sup> This amount appears to include RCC's license, customer list and goodwill amortizations.

<sup>2</sup> RCC's Net Investment is estimated to be the Net Property and Equipment of \$240,536,000 plus Inventories of \$6,624,000 plus Net Licenses of \$618,576,000 plus Customer Lists of \$92,748,000, for a total of \$958,484,000 as of December 31, 2002 from the RCC SEC report. The Federal return on net investment of 11.25% times \$958,484,000 is \$107,829,000.

<sup>3</sup> Taxes were set a zero because the net return of \$107,829,000 (calculated in footnote 2) less the interest expense of \$110,597,000 (from the December 31, 2002 RCC SEC report) is negative – (\$2,702,000).

### **United States Cellular Corporation**

The following information was compiled from USCC's 2002 Annual Report, Consolidated Statement of Operations and Balance Sheet for December 31, 2002 annual results:

|  |                                   |
|--|-----------------------------------|
| • System Operations  | \$ 492,750,000                    |
| • Marketing and Selling  | \$ 368,888,000                    |
| • Cost of Equipment Sold   | \$ 185,283,000                    |
| • General and Administrative                                       | \$ 505,237,000                    |
| • Depreciation   | \$ 311,993,000                    |
| • Amortization   | \$ 39,161,000                     |
| • Return on Property and Equipment                                 | \$ 371,670,000 <sup>4</sup>       |
| • Taxes  | \$ _____ 0 <sup>5</sup>           |
| • Total  | \$2,274,982,000                   |
| • Lines Served   | 4,103,000                         |
| • <b><u>Cost Per-Line (annual)</u></b>                             | <b><u>Approximately \$550</u></b> |
| • <b><u>Revenues per-line without federal support (annual)</u></b> | <b><u>\$567</u></b>               |

USCC's average monthly revenue per-line of \$47.25, or an annual amount of \$567 per-line for the same period, more than covers USCC's annual costs of approximately \$550 per-line. **Consequently, USCC has no need for federal universal service funding and any such funding would be a windfall for USCC's stockholders.**

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<sup>4</sup> USCC's Net Investment is estimated to be the Net Property and Equipment of \$2,007,669,000 plus Inventories of \$55,490,000 plus Net Licenses of \$1,038,556,000 plus Customer Lists of \$40,087,000 plus Systems Development Costs of \$161,928,000, for a total of \$3,303,730,000 as of December 31, 2002 from the USCC SEC report. The Federal return on net investment of 11.25% times \$3,141,802,000 is \$371,670,000.

<sup>5</sup> Income taxes were set at zero because the net income, shown in the Consolidated Statement of Operations is negative.